



CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

Preliminary Term Sheet

July 2009

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| Benefits of Recovery Zone Economic Development Bonds | Recovery Zone Economic Development Bonds provide local government participants with a direct federal payment equal to 45% of the interest on the bonds. Payments are made semi-annually. The taxable structure of the debt offering broadens the investor base for the local government participant and in the current market the RZEDBs have out-performed similar tax-exempt offerings. |
| Overview of the I-Bank Pool Loan Program: | The Pool Loan Program ("Program"), administered by the California Infrastructure Bank ("I-Bank"), is designed to serve the financing needs of California Counties and Cities eligible to receive an allocation under the American Recovery and Reinvestment Act ("ARRA"). The I-Bank will act as the conduit issuer for the Program. |
| Use of Proceeds: | Qualified governmental uses that promote economic activity in a Recovery Zone. Examples includes capital costs related to public infrastructure and facilities as well as specified job training and educational programs. |
| Eligible Borrowers: | Any County or large City (population over 100,000) that receives an RZEDB allocation and has designated a recovery zone. |
| What is a Recovery Zone? | <ul style="list-style-type: none">• Any area locally-designated as having significant poverty, unemployment, rate of home foreclosures or general distress;• Any area designated as economically distressed by reason of closure or realignment of military installation pursuant to the Defense Base Closure and Realignment Act of 1990; or• Any area designated as a federal Empowerment Zone or Renewal Community. |
| Financing Structure: | Individual bond indentures will provide maximum program flexibility for pool and potential stand-alone borrowers, better rebate accounting and potential tax benefits. The I-Bank will establish individual Debt Service Funds, Debt Cost of Issuance Funds and Rebate Accounts for each borrower. |
| Interest Rate | Rates depend on market conditions at time of pricing. Recent comparable bond sales reflect net yields averaging 7% to 10% below tax-exempt rates. |
| Term of Bonds | Based on life of asset being financed |
| Target Rating | Single A ; AA for Bond Insured |
| Bond Servicing Fees: | Servicing fees may be charged to fund Program post issuance administrative costs. |
| Minimum Reserve Requirement: | The minimum reserve will be determined on a case by case basis. |
| Additional Bonds Test: | Additional bonds may be permitted if the borrower can demonstrate that annual debt service coverage from projected revenues will not be less than 1.10X-1.2X and that reserves are funded at the minimum reserve requirement at closing. |
| Coverage Certificate: | Document certifying coverage of projected revenues and annual debt service on the proposed series of bonds. |
| Projected Revenues Available to pay Debt Service: | Funds pledged as repayment source and interest earnings on investment obligations (held in Debt Service Reserve Fund) |
| Loan Security/Lease Secured | County or city pledge of an investment grade source of revenue. Repayment pledges can range from General Fund (preferred) to enterprise or dedicated revenue. The quality of the pledge directly affects the rating, and therefore the interest rate on the bonds. |
| Continuing Disclosure | After bond issuance, annual disclosure of specified information regarding financial condition and compliance with bond documents. |
| Amendments | In order to be maintain flexibility, the bond documents may permit certain amendments without bondholder consent, including changes to minimum coverage requirements or the Minimum Reserve Requirement. |